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NASA Procedural Requirements

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2011**COMPLIANCE IS MANDATORY**[Printable Format \(PDF\)](#)

Subject: NASA Materials Inventory Management Manual (Revalidated 2/9/06)**Responsible Office: Logistics Management Division**[| TOC](#) | [Change History](#) | [Preface](#) | [Chapter1](#) | [Chapter2](#) | [Chapter3](#) | [Chapter4](#) | [Chapter5](#) |
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CHAPTER 4. MATERIALS INVENTORY TRANSACTIONS

4.1. Issuing Items

4.1.1. All demands against, and issues from, inventory shall be documented either through computer record update for online systems or through use of a requisitioning document or both.

4.1.2. Issues from Program Stock shall be made only to individuals authorized by the controlling program manager.

4.1.3. Issues from Standby Stock shall be made only on the authority of the official who requested that the item be placed in stock.

4.1.4. Centers shall determine the appropriate control system for ensuring that Stores Stock items are issued for official purposes. As a minimum, the system shall require the random sampling of issues on a periodic basis to verify the authorization for issue.

4.1.5. Each supply operation shall maintain a back order system for recording unfilled demands for inventory items and for filling the demand without further action on the requester's part. Center systems should include provision for issues of available stocks with no back order being established for unfilled quantities.

4.1.6. Items shall be issued in units of issue that are economically sound or easy to handle.

4.1.7 Centers may establish a system of expending certain Stores Stock line items from inventory and issuing them at no cost to requesters under simplified procedures. Items included in such a system are usually high usage office supplies, forms, and low-cost

repair parts. Pre-expended items held for issue should not exceed a 30-day supply. The demand data for such items are recorded at the time the quantities are reduced from the item or asset record balance.

4.2. Inventory Replenishments

4.2.1. Stock replenishment shall be in accordance with FPMR requirements (41 CFR, subpart 101-27.1) and shall use Economic Order Quantity (EOQ) principles (GSA Handbook, The Economic Order Quantity Principle and Applications, NSN 7610-00-543-6765). A review point for each stocked item shall be established, using a formula that provides at least 90-percent assurance that an out-of-stock condition shall not occur. A safety stock level shall be included as an integral element of the formula to provide added assurance against out-of-stock conditions. The safety stock level is a predetermined quantity, based on EOQ months of supply, which is in addition to normal replenishment lead time and operating level requirements.

4.2.2. Each supply operation shall maintain a due in system for recording orders from external sources to satisfy back orders or to replenish stocks. Federal Property Management Regulations, part 101-26.107, lists required sources for satisfying requirements for supplies and services. Prior to submitting orders for material to external sources, Centers shall ensure that the material is not available internally.

4.2.3. To use the GSA, the Defense Logistics Agency, military departments, and other Government agencies as supply sources, Centers must follow the FPMR, Subchapter G, Subpart 101.26.2, "Federal Requisitioning System," which provides detailed ordering procedures. Before the system can be used, an Activity Address Code (AAC)

must be obtained by submitting NASA Form 1603, FEDSTRIP AAC Data. The AAC is also needed to process NASA excess material for screening and disposal. To obtain an AAC for NASA cost-reimbursement contractor activities, Centers must submit NF 1603 along with the data required by the FAR, subpart 51.1, and NASA FAR Supplement, subpart 18-51.102. The requirements associated with acquiring and controlling AAC's are listed as follows:

4.2.4. NASA Centers shall designate an AAC coordinator who shall interface with the Center contracting officer and submit all requests from Centers and contractors for assignment of, changes to, or cancellation of AAC's to NASA Headquarters Security, Logistics, and Industrial Relations Division. Normally, 30 days should be allowed for assignment and activation of AAC's.

4.2.5. The Team Lead, Logistics Management, Code OJG, NASA Headquarters, is the Agency AAC focal point and shall perform the following:

4.2.5.1. Obtain new AAC's from the GSA and transmit to GSA requests for changes, extensions, and cancellations of AAC's.

4.2.5.2. Advise the requesting Centers of new AAC assignments and provide confirming information when other actions have been accomplished.

4.2.5.3. Maintain a current, consolidated record of codes, supporting documentation, and mail, freight, and billing office addresses assigned to all NASA activities.

4.2.6. The GSA Customer Supply Centers (CSC) serve as retail outlets for selected, frequently needed, common use, expendable type items. CSC's provide a quick and easy method for activities to obtain small lot quantities of common-use GSA stocked items, such as administrative and janitorial supplies, handtools, and other industrial type items. The GSA provides a catalog showing the items stocked at the CSC's, as well as other pertinent information about the CSC operation. To use the CSC, Centers must obtain a special CSC account number and customer access codes from the GSA by submitting GSA Form 3525, "Application for Customer Supply Services." In addition to requesting account number, the form also authorizes the commitment and obligation of NASA

funds for orders placed. Therefore, the form shall be signed at an appropriate level of management no lower than the SEMO or equivalent. The SEMO shall establish local procedures and controls to govern the Center's use of the CSC in conformance with GSA's prevailing rules and requirements.

4.2.7. Replenishment of stores stock

4.2.7.1. When there are no limiting factors such as space or budgetary limitations, the basic EOQ techniques shall be used. In any event, deviations from the use of prescribed EOQ tables must be approved by the Lead, Logistics Management Team, NASA Headquarters.

4.2.7.2. When there are limiting factors that preclude use of the basic EOQ technique, a modification of the technique may be made so long as it produces the fewest orders at the lowest level of inventory investment.

4.2.7.3. Requirements for implementing the EOQ principle of stock replenishments are in the GSA Handbook. The Handbook is identified under NSN 7610-00-543-6765 in the GSA Supply Catalog.

4.2.7.4. Exceptions from the EOQ table values may be made for specific items when they meet one of the following:

- a. Have a shelf life less than the specified EOQ;
- b. Are for standby or reserve, or involve planned requirement for a special one-time project, such as construction materials for a major building renovation;
- c. Can be acquired from excess; or
- d. Are necessary due to limits on storage space or funds.

4.2.8. Replenishments of program stock shall be made when authorized by the program or project manager. Authority to replenish program stock may be delegated in writing to the SEMO by the program or project manager. Also, when program stock items experience frequent, recurring demands, they should be replenished using the EOQ criteria.

4.2.9. Replenishments of standby stock shall be made if the responsible division chief certifies that replenishment is necessary. This may be a blanket certification given to the SEMO, subject to review at least every two years in accordance with paragraph 4.6.

4.3. Special Item Controls

Certain items have unique features, qualities, or properties that require special controls. Centers shall establish special inventory controls and procedures for identification, storage, issue, and where necessary, turn in, requisition, and disposition of such items. The following are examples of types of items that warrant such controls:

- a. Medical supplies
- b. Medicinal alcohol

- c. Photographic film
- d. Hand tools
- e. Dictionaries
- f. Explosives
- g. Hazardous gases or chemicals
- h. Precious metals
- i. Radioactive materials
- j. Magnetic tapes and audio and video recording tapes
- k. Attache cases and briefcases

4.4. Return to Inventory

4.4.1. Return of items to stocks shall be accepted. Centers shall determine condition, packaging, marking, and documentation criteria for items returned to stocks.

4.4.2. Credit may be granted to the returning activity for Stores and Standby Stock items that are serviceable and ready for issue. Credit shall be allowed only for returns that can be identified to the appropriation and accounting classification coding (i.e., organization, program, project or functional category) of the activity to which the original issue was made. Credit shall not be allowed for Program Stock, items of excess, items bought directly, items that cannot be returned to inventory due to poor condition or obsolescence, and issues made prior to the beginning of the previous fiscal year.

4.5. Adding Line Items to Inventory

4.5.1 Adding Line Items to Stores Stock.

4.5.1.1. Each Center shall establish and maintain a system for adding line items to Stores Stock.

4.5.1.2. Requests for stockage from Center personnel shall be used as a vehicle for adding line items to stock. Such requests must indicate enough evidence to support the qualifications for stockage under the criteria of paragraph 3.5. Requests shall be signed and approved by responsible levels of management as designated by the Center.

4.5.1.3. Center inventory management personnel shall review requests for stockage to ensure that line items having past sufficient demands or anticipated future demands warrant stockage. Items qualifying for stockage shall be forwarded to the designated authority for approval.

4.5.1.4. Approval to add qualifying line items to Stores Stock shall be granted by the SEMO or designee. Decisions not to stock qualified line items shall be documented and retained by the supply organization. The individual requesting that the line item be added to stock shall be notified of the decision to stock or not.

4.5.1.5. Stores Stock items may be expended to, maintained in, and issued from an approved bench stock operation.

4.5.2 Adding Line Items to Program Stock.

4.5.2.1. Line items that meet the criteria for Program Stock (see paragraph 3.2.2) shall be added only on written request of the program or project manager.

4.5.2.2. Line items added to Program Stock are to be identified to a specific program or project.

4.5.2.3. Program Stock items may be transferred to, maintained in, and issued from an approved bench stock operation.

4.5.3. Adding Line Items to Standby Stock.

4.5.3.1. Line items that meet the criteria for Standby Stock (see paragraph 3.2.3) shall be added to inventory only upon written request by a division chief or equivalent. The request shall be furnished to the SEMO and shall cite the justification for the items.

4.6. Retention of Inventory

4.6.1 Stores Stock.

4.6.1.1. Stores Stock items, regardless of control systems, that have been in inventory for at least 12 months shall be reviewed at least annually for retention or elimination. For items under perpetual inventory control, this review may be accomplished in conjunction with the reorder cycle or when the review point is reached.

4.6.1.2. Items shall be retained in stock only if they meet the stockage criteria of paragraph 3.6.

4.6.2 Program Stock.

4.6.2.1. At least once every 2 years a list of items in Program Stock shall be provided to the controlling division chief or project manager for review and documentation of need for retention.

4.6.2.2. If items are retained for a program and that program is canceled, the items shall not be held, unless another program is

identified and the continued retention is justified by a division chief or project manager.

4.6.2.3. In appropriate circumstances, such as use of leased storage space, the SEMO may levy storage charges for items retained in Program Stock.

4.6.3 Standby Stock.

4.6.3.1. At least once every 2 years, a list of items in Standby Stock shall be provided to the controlling division chief or equivalent for review and indication of need for retention. The justification for retention should state the purpose for which contingency items are being held.

4.6.3.2. In appropriate circumstances, such as use of leased storage space, the SEMO may levy storage charges for items retained in Standby Stock.

4.6.4. Basic requirements for retention of inventory are contained in Federal Property Management Regulations, subchapter E, subpart 101-27.304. Within NASA, stock levels in excess of 60-months supply should not be retained. Levels over the limit should be disposed of through normal excess procedures. The SEMO may authorize beyond the 60-month period when circumstances, such as cost to reorder and cost to hold, clearly warrant such action. When levels fall below the retention limit, the reorder cycle may resume.

4.6.5 The review of the economic retention limit shall occur at the same time as the review for continued stockage. Months of supply shall be computed on the previous 12- months demand history.

4.6.6 The economic retention limit may be increased when --

- a. The item is of special manufacture and relates to an end item of equipment that is expected to be in use beyond the economic retention time limit; or
- b. Costs incident to holding an additional quantity are insignificant and obsolescence or deterioration of the item is unlikely.

4.6.7 The economic retention limit should be reduced when --

- a. The related end item of equipment is being phased out or an interchangeable item is available; or b. The item has limited storage life, is likely to become obsolete, or the age and condition of the item does not justify the full retention limit.

4.6.8. The reasons for any increase or decrease to the economic retention limit shall be documented.

4.6.9. Items that are marked for deletion from inventory shall be coded in the inventory control system to preclude reorder. Users shall be notified that the item is to be eliminated from stock when the on-hand balance is depleted through issue or excess. They shall be either issued to users until stock is depleted or reported to the Center Property Disposal Office for redistribution and disposal. Transferring excess items to the Property Disposal Office shall be considered as an adjustment of inventory (see paragraph 4.7.3.4.). A copy of the adjustment shall be sent by the SEMO to the Inventory Adjustment Officer, or an automated adjustment transaction will be sent, and the supporting document will be maintained by the SEMO.

4.6.10. The SEMO may hold material items on a temporary basis for a user activity. The nature of NASA operations occasionally makes it desirable to temporarily store user-owned items, in appropriate storage facilities, for a specified period of time. A using activity may request in writing that the SEMO temporarily store materials such as seasonal items, and items for a planned work or job order, until they are actually needed. The request must state the specific time period for the temporary storage and the reason for storage. The reason should clearly state the reasons that items cannot be currently used or retained in the user's organization.

4.6.11. NASA Centers are authorized to establish and maintain Bench Stocks which consist of low-cost, repetitively used, consumption-type items located at or near points of use to ensure continuous and uninterrupted operations. Bench Stocks, by providing such items in close proximity to the user, reduce the user's need to constantly requisition repetitively required items from a central supply.

4.6.11.1. With the concurrence of the Center SEMO, a using activity may establish a Bench Stock operation identifying the specific items and the maximum and minimum quantities of the items to be maintained therein. At the discretion of local management, the SEMO may establish and operate a Bench Stock in support of a using activity.

4.6.11.2. Bench Stocks are not to be used as a repository for excess items which cannot otherwise be justified for retention in authorized stores, Program or Standby Stocks.

The specific requirement for establishing and operating a Bench Stock is as follows:

- a. The using activity and the SEMO shall jointly determine the location of Bench Stocks, and the items and the quantities of the items to be maintained in the designated Bench Stocks.
- b. For Bench Stock items drawn or pre-expended from or through Stores Stock and Program Stock inventories, the maximum quantity maintained per line item should not exceed a 60-day supply.
- c. Bench Stocks shall have records sufficient for identifying the (1) stock or part number, (2) name, (3) unit of issue, (4) unit

price, (5) stock level (maximum and minimum quantities to be stocked), and (6) stock resupply point of the items maintained therein.

d. An individual shall be designated to oversee the Bench Stock. The individual shall be responsible, at a minimum, for (1) adding items to and deleting items from the Bench Stock, (2) ensuring that the quantities of items maintained in the Bench Stock do not exceed the dollar value and usage thresholds, (3) establishing a simplified method for tracking items received in and drawn from the Bench Stock, and (4) periodically reviewing the Bench Stock to effect resupply as necessary.

e. Controls shall be established to ensure that only authorized users draw items from the Bench Stocks.

4.6.11.3. Every effort shall be made to keep Bench Stocks within the designated usage threshold. However, there may be occasions when it is justified to exceed the threshold on a temporary and limited basis. When this occurs, the using activity shall request approval from the SEMO to temporarily exceed the threshold.

4.7. Adjustments to Materials Inventory

4.7.1. NASA materials inventory records shall accurately reflect the balance of material assets on hand and must be reconcilable with financial records. When discrepancies exist between records and material assets, prompt action must be taken to correct, determine the cause, and update balances as necessary. Inventory adjustments are to be used when transaction documents have not been processed or cannot be located to account for the discrepancies.

4.7.2. Record searches to reverse incorrect transactions should be reasonably thorough but consistent with the magnitude of the error and the probability of individual neglect or misconduct. Except for special item controls, transaction record searches are not required when the extended value of discrepancy is less than \$50. Such discrepancies may be automatically adjusted; however, the require , d inventory adjustment document must be processed. The automatic adjustment does not apply to special controlled items that must be fully researched regardless of value of the discrepancy. When materials inventory records are adjusted, corresponding adjustments must be made in the appropriate General Ledger Accounts, Financial Management Manual 9220, and must be funded by (losses) or credited to (gains) to appropriated monies.

4.7.3. The following transactions cause gains or losses to the Inventory General Ledger Account 1200 and shall be reported to the Center Financial Management Office.

4.7.3.1. Adjustment of discrepancies between the recorded balance and the physical count quantity of items as a result of a physical inventory (see chapter 5).

4.7.3.2. Dropping accountability of materials inventory items that are unserviceable due to damage and destruction, obsolescence and deterioration, loss, or theft.

4.7.3.3. Adjustment of record to correct operational errors that cannot be referenced to the original transaction document.

4.7.3.4. Transfer of excess materials to the PDO; delete value from Account 1200.

4.7.3.5. Return to vendors or suppliers when no other type of transaction is appropriate.

4.7.4. Adjustments from subparagraphs 4.7.3.1. through 4.7.3.5. shall be processed for approval as follows:

4.7.4.1. When the total dollar value of any one line item is \$500 or more, the adjustment report shall be certified by the SEMO or designee and approved by the Inventory Adjustment Officer (IAO). Adjustments from subparagraphs 4.7.3(4) and (5), regardless of dollar value of the quantity adjusted, may be approved by either the IAO, the SEMO, or a designee.

4.7.4.2. When the total dollar value of any one item is less than \$500, the adjustment may be certified by a designated individual and approved by the SEMO or a designee other than the certifying individual.

4.7.4.3. Approving officials should be satisfied that the adjustment is not the result of carelessness or misappropriation of property. If either condition is suspected, the official shall require a survey report. The adjustment report shall be approved subject to this action and processed for correction of the inventory records without waiting for the results of the survey action. The SEMO is responsible for initiating property survey action following the guidance in NPR 4200.1, "NASA Equipment Management Manual."

4.7.4.4. An explanation of the reasons for all adjustments, including shipments or returns to suppliers and transfers of excesses to the PDO, shall be recorded in the automated system and entered in the remarks section of the adjustment report. In the automated format, the following codes shall be used to identify the adjustments listed in subparagraph 4.7.3.

Discrepancy	Code
Physical Inventory Discrepancies	01
Damage or Destruction	02

Obsolescence or Deterioration	03
Loss	04
Theft	05
Operational Errors	07
Returns to Vendor	10
Excess Transfers to PDO	11

4.7.4.5. Copies of all adjustment reports shall be furnished to the Center Deputy Chief Financial Officer (Finance) unless waived by the Center Deputy Chief Financial Officer (Finance). Copies of inventory adjustment vouchers that delete items of inventory from Account 1200 for redistribution or disposal must be sent to the Deputy Chief Financial Officer (Finance) by the SEMO unless waived by the Center Deputy Chief Financial Officer (Finance).

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